GRUMMAN DAILY EDITION
plane news
October 9, 1981

Pension fund trustees reject LTV's $45 tender offer

The trustees of Grumman Corporation's pension fund yesterday announced their unanimous decision to reject the LTV Corporation's tender offer of $45 per share for the 525,000 shares of the corporation's common stock held by the fund.

The trustees are Jack Bierwirth, Grumman Corporation Senior Vice President and Treasurer Bob Freese, and Grumman Aerospace Senior Vice President and Treasurer Carl Paladino.

Bierwirth called LTV's offer "inadequate," based on a careful analysis of Grumman's understated worth as well as future business potential. He said the trustees also decided that a merger between Grumman and LTV would not be in the best interests of the participants and beneficiaries of the plan.

In reaching this decision, they considered LTV's debt burden and its stated obligation to make the additional investments in its steel business, which raise questions about LTV's ability to make aerospace investments required to assure Grumman's future. The trustees also considered the apparent antitrust violations inherent in such a merger.

The battle is not limited to Long Island

Though a large portion of the Grumman family resides on Long Island, there are many Grummanites working throughout the nation -- and world -- who are just as concerned about the LTV takeover attempt.

One such Grummanite is Frank Gaughran who works in Plant 77, Stuart, Florida. He voiced his opposition in the following letter to Paul Thayer:

"As a stockholder and employee of Grumman Aerospace for 18 years, I have mixed emotions concerning your attempts to take over Grumman.

"Selling my stock to you would give me a fair profit, however, I and many other employees at the Stuart facility are understandably concerned about our futures. I have the feeling, after watching other takeovers such as this, that the possibility exists that work performed in the outlying plants would be pirated to Vought in Texas. (You did state that jobs in *Bethpage* would be safe.)

"...I have noted in the *Wall Street Journal* that Vought is no longer a major contractor to the Navy. Is this lack of contracts due to poor management at the Vought Division? Is there any future work in the offing, or will Grumman be the main think tank for LTV?...Sincerely, /s/ Frank Gaughran."

Grummanites from Stuart Operations are also backing the company's fight to remain independent -- with cold cash. Over 575 men and women contributed a buck a piece to add to the employee ad campaign kitty up in Bethpage.

With a little help from his friends

George Adjami of Plant 242 in Woodbury decided to write to President Reagan, Secretary of Defense Caspar Weinberger, Speaker of the House "Tip" O'Neill, and other representatives about why Grumman should remain independent. He managed to get a lot of help with the project.

Adjami and his Grumman Data Systems co-workers fired off a letter with more than 200 signatures and badge numbers. It stated, in part: "The attached petition represents the opinion of Grumman Data Systems Corporation employees in Plant 242 in Woodbury, New York, to keep Grumman an independent company and to say 'NO!' to an LTV takeover."

Says Adjami, "We've sent copies to every government official that **Plane News** has listed.

"These officials hear from local politicians and they hear from Grumman management...but unless they hear from individual Grummanites, they won't be really certain how we feel about this thing.

"It's one thing to be concerned and to talk about the potential of an LTV takeover. But it doesn't count unless you act on that concern and let your representative know what you think."

New York's congressional delegation has already taken a stand, but it's very important that they hear from you:

Sen. Daniel Moynihan (tel. 202-224-4451) and **Sen. Alfonse D'Amato** (tel. 202-224-6542) may be addressed at: Russell Senate Office Building, Washington, D.C. 20510.

Rep. William Carney (tel. 202-225-3826), **Rep. Thomas Downey** (tel. 202-225-3335), **Rep. Gregory Carman** (tel. 202-225-3865), **Rep. Norman Lent** (tel. 202-225-7896), **Rep. Raymond McGrath** (tel. 202-225-5516), **Rep. John LeBoutillier** (tel. 202-225-5956), and **Rep. Joseph Addabbo** (tel. 202-225-3461) may be addressed at: U.S. House of Representatives, Washington, D.C. 20515.

Bierwirth guest on 'Business Journal'

Jack Bierwirth will be the guest on the premier broadcast of Louis Rukeyser's "Business Journal." The show will be aired from 10:30 until 11 this Sunday morning on WCBS-TV, Channel 2 in New York.

To put it planely...

Grumman Data Systems' Plant 46 in Woodbury has been hoping for good flying weather for today. They've collected money to hire a plane that will carry their message over Woodbury, Bethpage, and possibly Great River and Calverton.

The plane, trailing a banner, will start out from East Moriches and should fly over Grumman's Bethpage facilities at about 10 o'clock this morning before heading out for the other plants.

The message:

"Grummanites say beat 'em back, Jack!"

October 8, 1981 — Grumman shares closed at 36 7/8 today; approximately 185,900 Grumman shares were traded.

The following article by Tim Metz appeared on Thursday in the Wall Street Journal's "Heard on the Street" column.

Grumman Is Trading Well Below LTV's Bid Due to Doubts Offer Will Get Required Shares

Why aren't Grumman's shares trading at a higher price?

LTV's $45-a-share cash offer for the Long Island aerospace concern represents a premium of more than 100% over the company's recent market price. And disinterested legal observers believe Grumman's antitrust defense won't fly.

Yet with little more than two weeks until LTV's offer expires, on Oct. 23, Grumman's stock is selling about $10 below the offer price. It closed on the New York Stock Exchange yesterday at 35¾. That's about even with Sept. 23's 35 7/8, the day LTV made its offer.

Sources close to the battle suggest many explanations. But ultimately they all boil down to one: investors' perceived risk that despite its fat offer price and a slim chance of a court shellacking, LTV might not garner the stock it needs.

"Even though we believe there isn't any merit to the Grumman antitrust complaint, the mere existence of the action has to be considered a risk by many investors," says a source close to LTV.

The Defense Department hasn't yet publicly reacted to the prospect of uniting LTV's Vought unit and Grumman's aerospace operations. "The department probably won't take any position; and even if it did it would probably have only an advisory, rather than a binding, effect," the source says. "But that's yet another unknown."

Stirring the pot in Washington, Grumman lobbyists have managed to get 38 Congressmen and Senators to write President Reagan about their concern over the proposed LTV takeover. And yesterday, New York State's attorney general announced an investigation of the offer.

Some LTV backers say Grumman's market price also reflects generally unsettled stock market conditions as well as a growing risk aversion among professional takeover stock traders.

Other important risk factors, both sides agree, include the large holding of Grumman stock by employee benefit plans and by employees and retirees themselves, as well as the structure of the LTV offer. The offer is conditioned, among other things, on drawing tenders for securities equal to at least 50.01% of the 13.8 million Grumman common shares currently and potentially outstanding.

Until or unless LTV drops that condition, Wall Street traders say, the company will face an uphill struggle. Two Grumman employee trusts hold 27% of the common currently and potentially outstanding, a Grumman spokesman confirms. "All six trustees of those two trusts are Grumman corporate officers," he adds, declining further comment.

Grumman propagandists are finding plenty of ammunition in LTV's own offer circular, which indicates that many Grumman workers could face a new, unknown employer should the LTV bid succeed. LTV concedes that it has made a "preliminary" study "of disposing of some or all of the company's nonaerospace operations...by sales to" unidentified "third parties."

Taken together, the Grumman employee benefit trust, private employee and retiree holdings could equal close to five million shares. If these shares are kept from LTV, the company would need nearly 80% of the remaining Grumman shares to meet its 50.01% minimum condition.

Whatever the outcome, LTV's attempt to take over Grumman is easily its boldest venture since 1978 when it bought Lykes Corp. and mated the troubled steelmaker with its own weak Jones & Laughlin Steel Corp. unit. But instead of the gigantic bankrupt company some critics had predicted, LTV has turned the steel business into its most important profit center.

Yet LTV took on $659 million of debt in that merger. Its debt currently is about $1.3 billion, a figure that the LTV offer circular indicates could jump to nearly $1.8 billion, or about double shareholders equity, should the Grumman bid succeed. By one study that Grumman insiders are fond of quoting, LTV could face $300 million of annual debt service costs.

LTV presumably considers that it is worth the risk and that the $45 it is offering is a bargain. That would be borne out by a July report on Grumman by Christopher C. Demisch, an analyst at Lehman Brothers Kuhn Loeb. Mr. Demisch predicted that fully diluted per-share earnings would rise to $5 next year, $6.50 in 1983 and $7.50 in 1984, from last year's $2.27. Based on the 12.3 price-to-earnings multiple of Grumman stock when the report was written, those earnings projections translate into market prices of about $62, $80, and $95 a share, respectively.

"I'm not eager to have my name associated with this battle," Mr. Demisch says. (His firm is advising LTV in the Grumman takeover offer.)

"I didn't become an insider on this until two days before the (LTV) offer." Asked directly, Mr. Demisch said he still stands by his Grumman earnings projections.

Keep those letters going

Senators representing some other Grumman locations are:

California:
Hon. Alan Cranston
Rm 229, Russell Senate Office Building
Washington, D.C. 20510

Hon. S. I. Hayakawa
Rm 6217, Dirksen Senate Office Building
Washington, D.C. 20510

Michigan:
Hon. Carl Levin
Rm 140, Russell Senate Office Building
Washington, D.C. 20510

Hon. Donald Riegle, Jr.
Rm 1207, Dirksen Senate Office Building
Washington, D.C. 20510

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